

**SUBSTITUTE FOR
SENATE BILL NO. 783**

A bill to amend 1980 PA 350, entitled
"The nonprofit health care reform act,"
by amending section 207 (MCL 550.1207), as amended by 1993 PA
201.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 207. (1) A health care corporation, subject to any
2 limitation provided in this act, in any other statute of this
3 state, or in its articles of incorporation, may do any or all of
4 the following:

5 (a) Contract to provide computer services and other adminis-
6 trative consulting services to 1 or more providers or groups of
7 providers, if the services are primarily designed to result in
8 cost savings to subscribers.

9 (b) Engage in experimental health care projects to explore
10 more efficient and economical means of implementing the

1 corporation's programs, or the corporation's goals as prescribed
2 in section 504 and the purposes of this act, to develop incen-
3 tives to promote alternative methods and alternative providers,
4 including nurse midwives, nurse anesthetists, and nurse practi-
5 tioners, for delivering health care, including preventive care
6 and home health care.

7 (c) For the purpose of providing health care services to
8 employees of this state, the United States, or an agency, instru-
9 mentality, or political subdivision of this state or the United
10 States, or for the purpose of providing all or part of the costs
11 of health care services to disabled, aged, or needy persons, con-
12 tract with this state, the United States, or an agency, instru-
13 mentality, or political subdivision of this state or the United
14 States.

15 (d) For the purpose of administering any publicly supported
16 health benefit plan, accept and administer funds, directly or
17 indirectly, made available by a contract authorized under subdi-
18 vision (c), or made available by or received from any private
19 entity.

20 (e) For the purpose of administering any publicly supported
21 health benefit plan, subcontract with any organization that has
22 contracted with this state, the United States, or an agency,
23 instrumentality, or political subdivision of this state or the
24 United States, for the administration or furnishing of health
25 services or any publicly supported health benefit plan.

26 (f) Provide administrative services only and cost-plus
27 arrangements for the federal medicare program established by

SB 783, As Passed Senate, October 20, 1999

Senate Bill No. 783

3

1 parts A and B of title XVIII of the social security act, chapter
2 531, 49 Stat. 620, ~~42 U.S.C. 1395c to 1395i, 1395i-2 to 1395i-4,~~
3 ~~1395j to 1395t, 1395u to 1395w-2, and 1395w-4~~ 42 U.S.C. 1395 TO
4 1395b, 1395b-2, 1395b-6 TO 1395-7, 1395c TO 1395i, 1395i-2 TO
5 1395i-5, 1395j TO 1395t, 1395u TO 1395w, 1395w-2 TO 1395w-4,
6 1395w-21 TO 1395w-28, 1395x TO 1395yy, AND 1395bbb TO 1395ggg;
7 for the federal medicaid program established under title XIX of
8 the social security act, chapter 531, 49 Stat. 620, 42
9 U.S.C. 1396 to 1396f, ~~and 1396i to 1396u~~ 1396g-1 to 1396r-6,
10 AND 1396r-8 TO 1396v; for title V of the social security act,
11 chapter 531, 49 Stat. 620, 42 U.S.C. 701 to 704 and 705 to ~~709-~~
12 710; for the program of medical and dental care established by
13 the military medical benefits amendments of 1966, Public Law
14 85-861, 80 Stat. 862; for the Detroit maternity and infant
15 care--preschool, school, and adolescent project; and for any
16 other health benefit program established under state or federal
17 law.

18 (g) Provide administrative services only and cost-plus
19 arrangements for any noninsured health benefit plan, subject to
20 the requirements of sections 211 and 211a.

21 (h) Establish, own, and operate a health maintenance organi-
22 zation, subject to the requirements of the public health code,
23 ~~Act No. 368 of the Public Acts of 1978, as amended, being~~
24 ~~sections 333.1101 to 333.25211 of the Michigan Compiled Laws~~
25 1978 PA 368, MCL 333.1101 TO 333.25211.

26 (i) Guarantee loans for the education of persons who are
27 planning to enter or have entered a profession that is licensed,

SB 783, As Passed Senate, October 20, 1999

Senate Bill No. 783

4

1 certified, or registered under parts 161 to 182 of ~~Act No. 368~~
2 ~~of the Public Acts of 1978, as amended, being sections 333.16101~~
3 ~~to 333.18237 of the Michigan Compiled Laws~~ THE PUBLIC HEALTH
4 CODE, 1978 PA 368, MCL 333.16101 TO 333.18237, and has been iden-
5 tified by the commissioner, with the consultation of the office
6 of health and medical affairs in the department of management and
7 budget, as a profession whose practitioners are in insufficient
8 supply in this state or specified areas of this state and who
9 agree, as a condition of receiving a guarantee of a loan, to work
10 in this state, or an area of this state specified in a listing of
11 shortage areas for the profession issued by the commissioner, for
12 a period of time determined by the commissioner.

13 (j) Receive donations to assist or enable the corporation to
14 carry out its purposes, as provided in this act.

15 (k) Bring an action against an officer or director of the
16 corporation.

17 (l) Designate and maintain a registered office and a resi-
18 dent agent in that office upon whom service of process may be
19 made.

20 (m) Sue and be sued in all courts and participate in actions
21 and proceedings, judicial, administrative, arbitrativ, or other-
22 wise, in the same cases as natural persons.

23 (n) Have a corporate seal, alter the seal, and use it by
24 causing the seal or a facsimile to be affixed, impressed, or
25 reproduced in any other manner.

26 (o) Invest and reinvest its funds and, for investment
27 purposes only, purchase, take, receive, subscribe for, or

SB 783, As Passed Senate, October 20, 1999

Senate Bill No. 783

5

1 otherwise acquire, own, hold, vote, employ, sell, lend, lease,
2 exchange, transfer, or otherwise dispose of, mortgage, pledge,
3 use, and otherwise deal in and with, bonds and other obligations,
4 shares, or other securities or interests issued by entities other
5 than domestic, foreign, or alien insurers, as defined in sections
6 106 and 110 of the insurance code of 1956, ~~Act No. 218 of the~~
7 ~~Public Acts of 1956, being sections 500.106 and 500.110 of the~~
8 ~~Michigan Compiled Laws~~ 1956 PA 218, MCL 500.106 AND 500.110,
9 whether engaged in a similar or different business, or governmen-
10 tal or other activity, including banking corporations or trust
11 companies. However, a health care corporation may purchase,
12 take, receive, subscribe for, or otherwise acquire, own, hold,
13 vote, employ, sell, lend, lease, exchange, transfer, or otherwise
14 dispose of bonds or other obligations, shares, or other securi-
15 ties or interests issued by a domestic, foreign, or alien insur-
16 er, so long as the activity meets all of the following:

17 (i) Is determined by the attorney general to be lawful under
18 section 202.

19 (ii) Is approved in writing by the commissioner as being in
20 the best interests of the health care corporation and its
21 subscribers.

22 (iii) Will not result in the health care corporation owning
23 or controlling 10% or more of the voting securities of the
24 insurer. Nothing in this subdivision shall be interpreted as
25 expanding the lawful purposes of a health care corporation under
26 this act. Except where expressly authorized by statute, a health
27 care corporation shall not indirectly engage in any investment

1 activity that it may not engage in directly. A health care
2 corporation shall not guarantee or become surety upon a bond or
3 other undertaking securing the deposit of public money.

4 (p) Purchase, receive, take by grant, gift, devise, bequest
5 or otherwise, lease, or otherwise acquire, own, hold, improve,
6 employ, use and otherwise deal in and with, real or personal
7 property, or an interest therein, wherever situated.

8 (q) Sell, convey, lease, exchange, transfer or otherwise
9 dispose of, or mortgage or pledge, or create a security interest
10 in, any of its property, or an interest therein, wherever
11 situated.

12 (r) Borrow money and issue its promissory note or bond for
13 the repayment of the borrowed money with interest.

14 (s) Make donations for the public welfare, including hospi-
15 tal, charitable, or educational contributions that do not signif-
16 icantly affect rates charged to subscribers.

17 (t) Participate with others in any joint venture with
18 respect to any transaction that the health care corporation would
19 have the power to conduct by itself.

20 (u) Cease its activities and dissolve, subject to the
21 commissioner's authority under section 606(2).

22 (v) Make contracts, transact business, carry on its opera-
23 tions, have offices, and exercise the powers granted by this act
24 in any jurisdiction, to the extent necessary to carry out its
25 purposes under this act.

26 (w) Have and exercise all powers necessary or convenient to
27 effect any purpose for which the corporation was formed.

SB 783, As Passed Senate, October 20, 1999

Senate Bill No. 783

7

1 (x) Notwithstanding subdivision (o) or any other provision
2 of this act, establish, own, and operate a domestic stock insur-
3 ance company only for the purpose of acquiring, owning, and oper-
4 ating the state accident fund pursuant to chapter 51 of the
5 insurance code of 1956, ~~Act No. 218 of the Public Acts of 1956,~~
6 ~~being sections 500.5100 to 500.5114 of the Michigan Compiled~~
7 ~~Laws~~ 1956 PA 218, MCL 500.5100 TO 500.5114, so long as all of
8 the following are met:

9 (i) ~~The~~ FOR INSURANCE PRODUCTS AND SERVICES THE insurer
10 WHETHER DIRECTLY OR INDIRECTLY ONLY transacts ~~only~~ worker's
11 compensation insurance and employer's liability insurance,
12 TRANSACTS DISABILITY INSURANCE LIMITED TO REPLACEMENT OF LOSS OF
13 EARNINGS, and acts as an administrative services organization for
14 an approved self-insured worker's compensation plan OR A DISABIL-
15 ITY INSURANCE PLAN LIMITED TO REPLACEMENT OF LOSS OF EARNINGS and
16 does not transact any other type of insurance notwithstanding the
17 authorization in chapter 51 of ~~Act No. 218 of the Public Acts of~~
18 ~~1956~~ THE INSURANCE CODE OF 1956, 1956 PA 218, MCL 500.5100 TO
19 500.5114. THIS SUBPARAGRAPH DOES NOT PRECLUDE THE INSURER FROM
20 PROVIDING EITHER DIRECTLY OR INDIRECTLY NONINSURANCE PRODUCTS AND
21 SERVICES AS OTHERWISE PROVIDED BY LAW.

22 (ii) The activity is determined by the attorney general to
23 be lawful under section 202.

24 (iii) The health care corporation does not directly or indi-
25 rectly subsidize the use of any provider or subscriber informa-
26 tion, loss data, contract, agreement, reimbursement mechanism or

1 arrangement, computer system, or health care provider discount to
2 the insurer.

3 (iv) Members of the board of directors, employees, and offi-
4 cers of the health care corporation are not, directly or indi-
5 rectly, employed by the insurer unless the health care corpora-
6 tion is fairly and reasonably compensated for the services
7 rendered to the insurer if those services were paid for by the
8 health care corporation.

9 (v) Health care corporation and subscriber funds are used
10 only for the acquisition from the state of Michigan of the assets
11 and liabilities of the state accident fund.

12 (vi) Health care corporation and subscriber funds are not
13 used to operate or subsidize in any way the insurer including the
14 use of such funds to subsidize contracts for goods and services.
15 This subparagraph does not prohibit joint undertakings between
16 the health care corporation and the insurer to take advantage of
17 economies of scale or arm's-length loans or other financial
18 transactions between the health care corporation and the
19 insurer.

20 (2) In order to ascertain the interests of senior citizens
21 regarding the provision of medicare supplemental coverage, as
22 described in section 202(1)(d)(v), and to ascertain the interests
23 of senior citizens regarding the administration of the federal
24 medicare program when acting as fiscal intermediary in this
25 state, as described in section 202(1)(d)(vi), a health care cor-
26 poration shall consult with the office of services to the aging
27 and with senior citizens' organizations in this state.

1 (3) An act of a health care corporation, otherwise lawful,
2 is not invalid because the corporation was without capacity or
3 power to do the act. However, the lack of capacity or power may
4 be asserted:

5 (a) In an action by a director or a member of the corporate
6 body against the corporation to enjoin the doing of an act.

7 (b) In an action by or in the right of the corporation to
8 procure a judgment in its favor against an incumbent or former
9 officer or director of the corporation for loss or damage due to
10 an unauthorized act of that officer or director.

11 (c) In an action or special proceeding by the attorney gen-
12 eral to enjoin the corporation from the transacting of unautho-
13 rized business, to set aside an unauthorized transaction, or to
14 obtain other equitable relief.

15 Enacting section 1. This amendatory act does not take
16 effect unless Senate Bill No. 784 of the 90th Legislature is
17 enacted into law.